



SEC
Mail Processing
Section

MAR 01 2018

Washington DC

408

SE

18005271

ON

ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

| OMB APPROVAL | |
|-----------------------------|-----------------|
| OMB Number: | 3235-0123 |
| Expires: | August 31, 2024 |
| Estimated average burden | |
| Hours per response | 12.00 |

| SEC FILE NUMBER |
|-----------------|
| 8- 51916 |

REPORT FOR THE PERIOD BEGINNING 01/01/2017 AND ENDING 12/31/2017
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

CHELSEA MORGAN SECURITIES, INC.

OFFICIAL USE ONLY

FIRM I.D.
NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

242 Main Street

(No. and Street)

Staten Island

(City)

New York

(State)

10307

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

John Pisapia

(718) 967-8400

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

WWC, P.C. Certified Public Accountants

(Name - if individual, state last, first, middle name)

2010 Pioneer Court

(Address)

San Mateo

(City)

CA

(State)

94403

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2).

E6.

collection of information contained in this form
are not required to respond unless the form
displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, John Pisapia, swear (or affirm) that, to the best of
my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of
CHELSEA MORGAN SECURITIES, INC., as
of December 31, 20 17, are true and correct. I further swear (or affirm) that
neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account
classified solely as that of a customer, except as follows:

DIERDRE STEINHAUS AINBINDER
Notary Public, State of New York
No. 01A14899711

Qualified in Nassau County
Commission Expires July 6, 20 19

Dierdre Steinhaus Aimbinder
Notary Public



Signature

President

Title

This report** contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**CHELSEA MORGAN SECURITIES, INC.
D/B/A CHELSEA FINANCIAL SERVICES**

Statement of Financial Condition

December 31, 2017

**CHELSEA MORGAN SECURITIES, INC.
D/B/A CHELSEA FINANCIAL SERVICES**

December 31, 2017

Table of Contents

| | <u>PAGE</u> |
|---|--------------------|
| INDEPENDENT AUDITOR'S REPORT | 1 |
| STATEMENT OF FINANCIAL CONDITION | 2 |
| NOTES TO FINANCIAL STATEMENTS | 3-4 |



WWC, P.C. CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
of Chelsea Morgan Securities, Inc.

Opinion on the Financial Statements

We have audited the accompanying statement of financial condition of Chelsea Morgan Securities, Inc. as of December 31, 2017, and the related notes (collectively referred to as the financial statement). In our opinion, the statement of financial condition presents fairly, in all material respects, the financial position of Chelsea Morgan Securities, Inc. as of December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of Chelsea Morgan Securities Inc.'s management. Our responsibility is to express an opinion on Chelsea Morgan Securities Inc.'s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to Chelsea Morgan Securities, Inc.'s in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

WWC, P.C.

WWC, P.C.

We have served as Chelsea Morgan Securities, Inc.'s auditor since 2017.

San Mateo, CA

February 28, 2018

**CHELSEA MORGAN SECURITIES, INC.
D/B/A CHELSEA FINANCIAL SERVICES**

STATEMENT OF FINANCIAL CONDITION

December 31, 2017

ASSETS

| | | |
|--|-----------|-----------------------|
| Cash | \$ | 223,140 |
| Clearing deposits at broker | | 25,019 |
| Commissions receivable | | 13,392 |
| Prepaid expenses | | 41,087 |
| Fixed assets, net of accumulated depreciation of \$144,007 | | 6,954 |
| Rent deposit | | <u>5,000</u> |
| TOTAL ASSETS | \$ | <u>314,592</u> |

LIABILITIES AND STOCKHOLDER'S EQUITY

| | | |
|--|-----------|-----------------------|
| Accounts payable and accrued expenses | \$ | <u>231,097</u> |
| TOTAL LIABILITIES | | <u>231,097</u> |
| Commitments and contingent liabilities | | |
| Stockholder's equity | | |
| Common stock, par value \$0.01, 1,000 shares authorized, issued and outstanding | | 10 |
| Paid-in capital | | 136,990 |
| Deficit | | <u>(53,505)</u> |
| Total stockholder's equity | | <u>83,495</u> |
| TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY | \$ | <u>314,592</u> |

The accompanying notes are an integral part of these financial statements.

**CHELSEA MORGAN SECURITIES, INC.
D/B/A CHELSEA FINANCIAL SERVICES**

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS

Organization

Chelsea Morgan Securities, Inc. D/B/A Chelsea Financial Services (the "Company"), a New York S Corporation formed in 1999, is registered as a broker-dealer with the Securities and Exchange Commission and is a member of the Financial Industry Regulatory Authority. The Company's principal address is 242 Main Street, Staten Island, NY 10307.

Nature of Business

The Company earns commission income by introducing and forwarding as a broker, transactions and accounts of customers to another broker-dealer who carries such accounts on a fully disclosed basis, and by participating in private placements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

All short-term investments with an original maturity of three months or less are considered to be cash equivalents.

Depreciation

The cost of furniture and equipment is depreciated over the estimated useful lives of the related assets of 5 to 7 years on a straight line basis. The cost of leasehold improvements is depreciated over the estimated useful lives of the related assets or the term of the related lease, whichever is shorter.

Concentration of Credit Risk

The Company is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Commission fee income is recognized when the customer has agreed with the Company on the security to be transacted and the amount of commission to be charged, the service has been rendered, at which point there are no outstanding performance obligations due to the customer, and the Company is assured that its commission fee will be received.

Recent Accounting Pronouncements

The Company does not expect any recent accounting pronouncements to have any material impact on its financial condition or results of operations.

**CHELSEA MORGAN SECURITIES, INC.
D/B/A CHELSEA FINANCIAL SERVICES**

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events

The Company has evaluated events and transactions occurring subsequent to the statement of financial condition date of December 31, 2017 for items that should potentially be recognized or disclosed in those financial statements. The evaluation was conducted through February 28, 2018, the date the financial statements were available to be issued.

NOTE 3 – INCOME TAXES

The Company has elected “S Corporation” status with the Internal Revenue Service and state taxing authorities. The stockholder includes the “S Corporation” income or loss in his individual tax return, and accordingly, no federal or state income taxes or benefits are provided for in the financial statements during the period of “S Corporation” status. The Company incurred a total of state and city income tax in the amount of \$14,828 which is included in miscellaneous expenses.

NOTE 4 – NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 and equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At December 31, 2017, the Company had net capital of \$30,454, which was \$15,048 in excess of its required net capital of \$15,406. The Company’s ratio of aggregate indebtedness to net capital was 7.59 to 1.

NOTE 5 – OFF BALANCE SHEET RISK

The Company has one single clearing house. In the event that the clearing house becomes insolvent, the Company’s business may be adversely affected. Pursuant to a Clearing Agreement, the Company introduces all of its securities transactions to its sole clearing broker on a fully disclosed basis. Therefore, all of the customers’ money balances and long and short security positions are carried on the books of the clearing broker. Under certain conditions as defined in the clearance agreement, the Company has agreed to indemnify the clearing broker for losses, if any, which the clearing broker may sustain from carrying securities transactions introduced by the Company. In accordance with industry practice and regulatory requirements, the Company and the clearing broker monitor collateral on the securities transactions introduced by the Company. In accordance to the clearing agreement, the Company is required to carry a deposit in the amount of \$25,000 that is not available to withdraw as long as the agreement is enforced. As of December 31, 2017, the deposit amounted to \$25,019.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

In November, 2017, the Company entered into a one year lease agreement for office space with a related party. Rental payments are \$6,000 per month. The Company also leases an auto and office equipment. Remaining commitments under the leases are as follows:

| Year ending December 31, | |
|--------------------------|------------------|
| 2018 | \$ 72,696 |
| 2019 | 12,696 |
| 2020 | 3,929 |
| | <u>\$ 89,321</u> |